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FM AMEMBASSY COLOMBO
TO RUEHC/SECSTATE WASHDC PRIORITY 4666
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEAWJL/DEPT OF JUSTICE WASHDC PRIORITY
RUEHNE/AMEMBASSY NEW DELHI 0171
RUEHKA/AMEMBASSY DHAKA 9570
RUEHIL/AMEMBASSY ISLAMABAD 6491
RUEHKT/AMEMBASSY KATHMANDU 4545

UNCLAS COLOMBO 001859

SIPDIS

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STATE FOR INL, SCA/INS

JUSTICE FOR AFMLS, OIA AND OPDAT

TREASURY FOR FINCEN

E.O. 12958: N/A

TAGS: [KTFN](#) [EFIN](#) [PTER](#) [SNAR](#) [KCRM](#) [MV](#)

SUBJECT: 2006-2007 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT
(INCSR) PART II, MONEY LAUNDERING AND FINANCIAL CRIMES, MALDIVES

REF: STATE 157000

[¶1.](#) UPDATED RESPONSE TO REFTEL FOLLOWS:

[¶2.](#) Maldives is not an important regional financial center. The financial sector of the Maldives is very small, with five commercial banks (one international bank, three branches of public banks from neighboring countries and the state owned bank), two insurance companies, and a government provident fund. There are no offshore banks.

[¶3.](#) Maldives Monetary Authority (MMA) is the regulatory agency for the financial sector. The MMA has authority to supervise the banking system through the Maldives Monetary Authority Act. These laws and regulations provide the MMA with access to records of financial institutions and allow it to take actions against suspected criminal activities. Banks are required to report any unusual movement of funds through the banking system on a daily basis. Separate laws address the narcotics trade, terrorism, and corruption: Law No. 17/77 on Narcotic Drugs and Psychotropic Substances prohibits consumption and trafficking of illegal narcotics. The law also prohibits laundering of proceeds from the illicit narcotics trade. Law No 2/2000 on Prevention and Prohibition of Corruption prohibits corrupt activities by both public and private sector officials. It also provides for the forfeiture of proceeds and empowers judicial authorities to freeze accounts pending a court decision.

[¶4.](#) The Government of Maldives has drafted anti-money laundering legislation with IMF assistance. The government has also created a Financial Intelligence Unit (FIU) within the MMA. According to the MMA, the main functions of the FIU are to receive information on suspicious transactions, analyze and refer to investigation and law enforcement agencies. The FIU is not yet fully functional. Currently, there are no laws or regulations governing the FIU. Regulations to cover the FIU are expected to be included in the money laundering legislation.

[¶5.](#) Law No. 10/90 on Prevention of Terrorism in the Maldives deals with some aspects of money laundering and terrorist financing. Provision of funds or any form of assistance towards the commissioning or planning of any such terrorist activity is unlawful. The MMA has issued "know your customer" directives and other instructions to banks, including freezing order requests, which are binding on banks and other financial institutions. The MMA monitors unusual financial transactions through banks, financial

institutions, and money transfer companies through its bank supervision activities. The four foreign banks operating in the country also follow directives issued with regard to terrorist financing by their parent organizations. To date, there have been no known cases of terrorist financing activities through banks in the Maldives.

16. The Maldives is a party to the 1988 UN Drug Convention and to the 1999 UN International Convention for the Suppression of the Financing of Terrorism. The Maldives has not signed the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

BLAKE